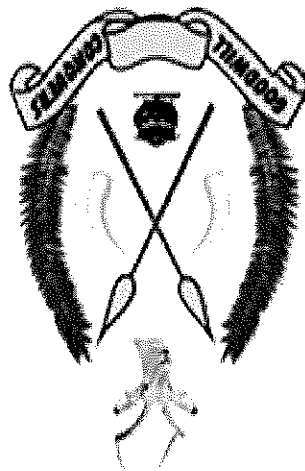


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**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

BUSHBUCKRIDGE LOCAL MUNICIPALITY



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

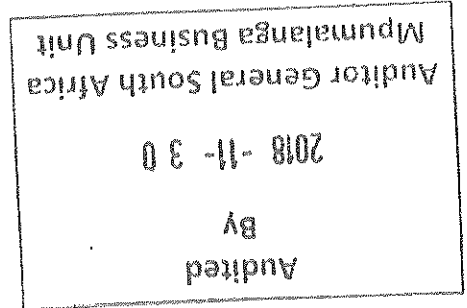
General Information

LEGAL FORM OF ENTITY	NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Local Municipality	Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003

MAYORAL COMMITTEE

Executive Mayor	Speaker
Chief Whip	Member of Mayoral Committee
Member of Mayoral Committee	Member of Mayoral Committee
Member of Mayoral Committee	Member of Mayoral Committee
Member of Mayoral Committee	Member of Mayoral Committee
Member of Mayoral Committee	Member of Mayoral Committee
Member of Mayoral Committee	Member of Mayoral Committee
Service Delivery Committee Chairperson	Member of Mayoral Committee
Municipal Public Accounts Committee Chairperson	Councillors

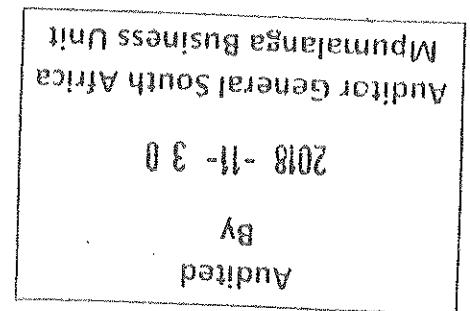
Nxumalo CS	Raganya BR	Makarings TM	Selowe PT	Mathabula S	Malandule BW	Malomane LM	Sithole L	Mokoena BR	Nkuna BK	Malebe LR	Mapiye AM	Chadi SM	Chiloane LB	Dube KI	Gubayi P	Gumede MP	Kgoedi A	Khoza LE	Lekhueni ML	Leshaba P	Maatsie-Mlambo VT	Mageza K	Makhubela SO	Malahle C	Malele E	Matibe TD	Malomane SC	Mashava IS	Mashego D	Mashile ET	Mashiloane SM	Mathabula AM	Mathabula G	Mathabula M	Mathabula O	Matija HR	Mbandze F	Meduli DV	Mgwenya MJ	Mhale LS	Mhlaba RS	Mkansi WM	Mkhonto VM - Deceased February 2018
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

General Information



CHIEF FINANCIAL OFFICER (CFO)

Mrs. CA Nkuna (Until June 2018)

Mr. M Matlala (Acting Chief Financial Officer from 01 July 2018)

ACCOUNTING OFFICERS

Mrs. CA Nkuna (Appointed 01 July 2018)

ACCOUNTING OFFICER

Mr. CJ Lisa (Contract ended 31 January 2018)

Mr. E Mashava (Acting Municipal Manager from 01 February 2018 to 30 June 2018)

REGISTERED OFFICE

R533 Graskop Road
Bushbuckridge
1280

POSTAL ADDRESS

Private Bag X9308
Bushbuckridge
1280

BANKERS

First National Bank

BUSHBUCKRIDGE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018
General Information

AUDITORS
Standard Bank of South Africa
The Auditor General South Africa (AGSA)

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Contents

The reports and statements set out below comprise the annual financial statements presented to the council:

PAGE	
5	Accounting Officer's Responsibilities and Approval
6	Audit Committee Report
7 - 8	Accounting Officer's Report
9	Statement of Financial Position
10	Statement of Financial Performance for the year ended 30 June 2018
11	Statement of Changes in Net Assets as at 30 June 2018
12	Cash Flow Statement as at 30 June 2018
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17 - 42	Accounting Policies for the year ended 30 June 2018
43 - 77	Notes to the Annual Financial Statements for the year ended 30 June 2018

AGSA	Auditor General of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
INEP	Integrated National Electrification Programme
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
MfMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
mSCOA	Municipal Standard Chart of Account
MSIG	Municipal System Improvement Grant
MMWG	Municipal Water Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
SALGA	South African Local Government Association
VAT	Value Added Taxation
WSIG	Water Service Infrastructure Grant

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and Municipal Finance Management Act (MFMMA).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

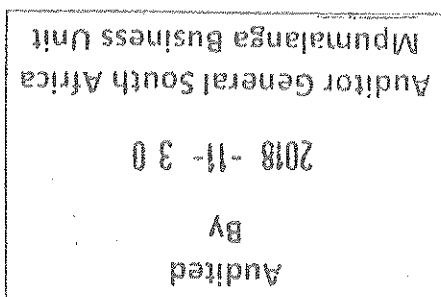
The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 7 to 77, which have been prepared on the going concern basis, are approved by the council and signed on their behalf by the Accounting Officer on 31 August 2018

Mrs. CA Nkuna (Appointed 01 July 2018)
Accounting Officer



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meets on a regular basis per annum as per its approved terms of reference. During the current year nine meetings were held.

NUMBER OF MEETINGS ATTENDED

9 (Joined 26 January 2017)
9 (Joined 05 December 2015)
9 (Joined 03 December 2015)
9 (Joined 26 January 2017)
2 (Joined 01 May 2018)

AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective action and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of The Auditor General of South Africa, any material deficiencies in the system of internal controls or any deviations there from are disclosed in their Audit Report.

QUALITY OF PERIODIC REPORTS

The audit committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

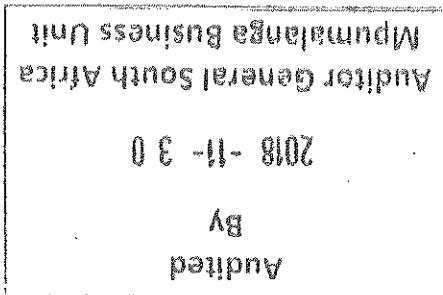
- reviewed the draft annual financial statements and management's response thereto.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external auditors used internal audit reports for risk identification purposes.

Chairperson of the Audit Committee

Date:



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

The Accounting Officer submit her report for the year ended 30 June 2018.

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The municipality is engaged in the provision of municipal services in terms of Municipal Systems Act no: 32 of 2010 (MSA) and Municipal Finance Management Act 56 of 2003 (MFMFA) and operates principally in South Africa. Net surplus for the year ended 30 June 2018 was R 499,436,717 (2017: surplus R 730,231,769).

2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. SUBSEQUENT EVENTS

Council took a resolution in March 2014 in terms of which employees that are on the entry level will move one level after 12 months of service and all other employees will move one level after three years of service from the date of the resolution. The resolution was not implemented and the matter was taken to bargaining council by the labor union, which ruled in their favor.

The municipality had taken the matter to court and as at year-end, the matter had not been finalized. The municipality has a potential obligation to employees for payments of additional salaries that were supposed to have been paid from 2015 FY. The municipality is in negotiations with the labour union regarding the implementation of this matter as it is the view of management that the municipality cannot afford to pay the amount outstanding.

The matter was finalized subsequent to year-end.

The municipality have agreed the following with the employees in terms of payments:

1. 31 October 2018- payment of back pay for the month of October 2018
2. 25 November 2018-payment of back pay for the 3 months due from July – September 2018.
3. No later than 31 December 2019 –payment of back pay for the remaining balance provided funds are permitting. Failing which the parties will engage on a revised settlement date. The municipality is in the process of determining the cost implications of this exercise as at the time of finalising the audit.

4. ACCOUNTING OFFICERS' INTEREST IN CONTRACTS

The Accounting Officer declared her interest in terms of the Supply Chain Management Regulations.

5. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board and as per the prescribed framework by National Treasury.

6. ACCOUNTING OFFICER

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Mr C J Lisa	South African	Contract ended 31 January 2018
Mr E Mashava	South African	Appointed for Acting from 01 February 2018, Contract ended 30 June 2018
Mrs. CA Nkuna (Appointed 01 July 2018)	South African	Appointed 01 July 2018

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BUSHBUCKRIDGE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018
Accounting Officer's Report

7. CORPORATE GOVERNANCE

GENERAL

The Accounting Officer is committed to business integrity, transparency and professionalism in all activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Governance Practices and Conduct ("the Code") laid out in the King IV Report. The Accounting Officer discusses the responsibilities of management in this respect, at management meetings and monitors the municipality's compliance with the code on a regular basis.

INTERNAL AUDIT

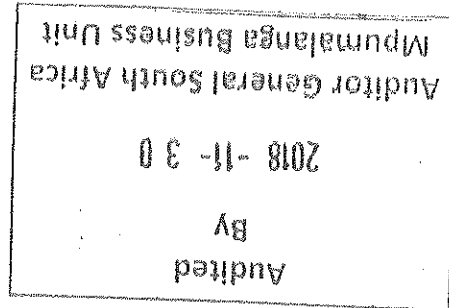
The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 56 of 2003.

8. BANKERS

The municipality's bankers did not change during the year under review. First National Bank is the primary banker of the municipality

9. AUDITORS

The Auditor General South Africa AG(SA) will continue to audit the financial affairs of the municipality.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017	Restated*
Assets				
Current Assets				
Inventories	3	2,801,098	3,115,673	
Receivables from non-exchange transactions	4	514,933,398	431,067,762	
VAT receivable	5	73,346,266	118,158,372	
Receivables from exchange transactions	6	295,701,816	300,779,807	
Cash and cash equivalents	7	109,805,713	98,339,417	
		996,588,291	951,461,031	
Non-Current Assets				
Investment property	8	9,159,315	10,063,962	
Property, plant and equipment	9	3,334,125,844	2,991,747,060	
Intangible assets	10	632,048	891,041	
		3,343,917,207	3,002,702,063	
Total Assets		4,340,505,498	3,954,163,094	
Liabilities				
Current Liabilities				
Payables from exchange transactions	11	436,581,295	551,285,681	
Consumer deposits	12	2,454,242	2,440,536	
Unspent conditional grants and receipts	13	330,595	7,580,329	
Provisions	14	52,657,298	57,731,376	
		492,023,430	619,037,922	
Non-Current Liabilities				
Provisions	14	59,034,940	45,114,761	
		551,058,370	664,152,683	
Total Liabilities		3,789,447,128	3,290,010,411	
Net Assets		3,789,447,128	3,290,010,411	
Accumulated surplus		3,789,447,128	3,290,010,411	

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* See Note 46 & 47

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017	Restated*
Revenue				
Revenue from exchange transactions				
Service charges	15	37,583,578		39,388,438
Rental of facilities and equipment	16	795,901		1,108,530
Agency services	17	11,614,736		10,353,927
Licences and permits	18	589,885		153,310
Operating Income	19	5,021,189		12,175,834
Interest earned	20	123,785,323		121,533,340
Gain on disposal of assets		167,390		-
Actuarial gains		-		2,521,346
Total revenue from exchange transactions		179,558,002		187,234,725
Revenue from non-exchange transactions				
Taxation revenue	21	185,624,245		160,280,800
Property rates				
Transfer revenue	22	1,207,193,951		1,321,757,494
Transfers and subsidies	23	7,041,592		11,120,498
Public contributions and donations	24	44,454,673		11,761,564
Fines and penalties				
Total revenue from non-exchange transactions		1,444,314,461		1,504,920,356
Total revenue		1,623,872,463		1,692,155,081
Expenditure				
Employee related costs	25	(405,806,934)		(362,349,050)
Remuneration of councillors	26	(28,072,033)		(28,075,753)
Depreciation and amortisation	27	(95,974,687)		(83,131,938)
Impairment loss/ Reversal of impairments	28	(7,944,908)		-
Finance costs	29	(19,331,593)		(22,850,016)
Debt impairment	30	(161,014,044)		(69,547,148)
Bulk purchases	31	(196,493,342)		(212,877,636)
Contracted services	32	(146,052,409)		(109,253,984)
Transfers and subsidies	33	(13,617,199)		(16,600,813)
Loss on disposal of assets and liabilities	34	(50,128,597)		(9,627,119)
General expenses				(47,609,855)
Total expenditure		(1,124,435,746)		(961,923,312)
Surplus for the year		499,436,717		730,231,769

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* See Note 46 & 47

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets as at 30 June 2018

Figures in Rand		
Accumulated surplus	Total net assets	
2,625,446,958	2,625,446,958	Balance as previously reported at 01 July 2016
730,231,769	730,231,769	Surplus for the year
(65,890,055)	(65,890,055)	Prior year adjustments
221,739	221,739	Net adjustments
664,563,453	664,563,453	Total changes
3,290,010,411	3,290,010,411	Restated balance at 01 July 2017
499,436,717	499,436,717	Net income (losses) recognised directly in net assets
499,436,717	499,436,717	Surplus for the year
499,436,717	499,436,717	Surplus for the year
499,436,717	499,436,717	Total changes
3,789,447,128	3,789,447,128	Balance at 30 June 2018

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* See Note 46 & 47

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement as at 30 June 2018

Figures in Rand	Note(s)	2018	2017	Restated*
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Receipts from customers		159,764,298	58,651,072	
Grants		1,193,386,000	1,267,881,503	
Interest earned		13,457,755	13,355,531	
		<u>1,366,608,053</u>	<u>1,339,888,106</u>	
Payments				
Employee costs		(433,878,967)	(390,424,803)	
Suppliers		(476,172,224)	(373,279,408)	
Finance costs		(54,109)	(32,667)	
		<u>(910,105,300)</u>	<u>(763,736,878)</u>	
Net cash flows from operating activities	37	<u>456,502,753</u>	<u>576,151,228</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	9	(445,207,732)	(613,827,802)	
Proceeds from sale of assets	9	171,275	1,238,517	
Purchase of intangible assets	10	-	(805,243)	
Net cash flows from investing activities		<u>(445,036,457)</u>	<u>(613,394,528)</u>	
Net increase in cash and cash equivalents		<u>11,466,296</u>	<u>(37,243,300)</u>	
Cash and cash equivalents at the beginning of the year		98,339,417	135,582,717	
Cash and cash equivalents at the end of the year	7	<u>109,805,713</u>	<u>98,339,417</u>	

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* See Note 46 & 47

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual for the year ended 30 June 2018

Budget on Accrual Basis					Reference
Approved	Adjustments	Final Budget	Actual	Difference between final budget and actual	
Figures in Rand					

Statement of Financial Performance

Revenue					
Revenue from exchange transactions					
178,222,000	54,200,000	232,422,000	179,390,612	(53,031,388)	
Total revenue from exchange transactions					
73,917,000	-	73,917,000	37,583,578	(36,333,422)	1
886,000	1,500,000	2,386,000	795,901	(1,590,099)	2
10,027,000	-	10,027,000	11,614,736	1,587,736	3
11,473,000	(4,000,000)	7,473,000	589,885	(6,883,115)	4
11,909,000	1,700,000	13,609,000	5,021,189	(8,587,811)	5
70,010,000	55,000,000	125,010,000	123,785,323	(1,224,677)	6
Interest earned					
Revenue from non-exchange transactions					
194,789,000	-	194,789,000	185,624,245	(9,164,755)	
Property rates					
Transfer revenue					
1,207,212,000	-	1,207,212,000	1,207,193,951	(18,049)	
Government grants & subsidies					
-	-	-	7,041,592	7,041,592	7
Fines, penalties and forfeits					
2,756,000	4,000,000	6,756,000	44,454,673	37,698,673	8
Total revenue from non-exchange transactions					
1,404,757,000	4,000,000	1,408,757,000	1,444,314,461	35,557,461	
Total revenue					
1,582,979,000	58,200,000	1,641,179,000	1,623,705,073	(17,473,927)	

Expenditure					
(358,608,000)	(85,906,000)	(444,514,000)	(405,806,934)	38,707,066	9
Employee costs					
(32,377,000)	3,000,000	(29,377,000)	(28,072,033)	1,304,967	
Remuneration of councillors					
(72,000,000)	(7,000,000)	(79,000,000)	(95,974,687)	(16,974,687)	10
Impairment loss/ Reversal of					
-	-	-	(7,944,908)	(7,944,908)	11
Impairments					
(342,000)	(200,000)	(542,000)	(19,331,593)	(18,789,593)	12
Finance costs					
(122,304,000)	49,040,000	(73,264,000)	(161,014,044)	(87,750,044)	13
Debits impairment					
(225,000,000)	(500,000)	(225,500,000)	(196,493,342)	29,006,658	14
Bulk purchases					
(44,952,000)	(7,550,000)	(52,502,000)	(146,052,409)	(93,550,409)	15
Contracted services					
(10,565,000)	-	(10,565,000)	(13,617,199)	(3,052,199)	16
Grant funded expenditure					
(137,955,000)	(21,263,000)	(159,218,000)	(50,128,597)	109,089,403	17
General expenses					
(25,839,000)	(577,000)	(26,416,000)	-	26,416,000	18
Other materials					
(1,029,942,000)	(70,956,000)	(1,100,898,000)	(1,124,435,746)	(23,537,746)	
Total expenditure					
553,037,000	(12,756,000)	540,281,000	499,436,717	(40,844,283)	
Surplus before taxation					
553,037,000	(12,756,000)	540,281,000	499,436,717	(40,844,283)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual					
Comparative Statement					

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual for the year ended 30 June 2018

Budget on Accrual Basis

Approved	Adjustments	Final Budget	Actual	Amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,127,000	-	4,127,000	2,801,098	(1,325,902)	19
Receivables from non-exchange transactions	587,312,000	-	587,312,000	514,933,398	(72,378,602)	20
VAT receivable	-	-	-	73,346,266	73,346,266	21
Receivables from exchange transactions	848,486,000	-	848,486,000	295,701,816	(552,784,184)	22
Cash and cash equivalents	85,000,000	-	85,000,000	109,805,713	24,805,713	23
Non-Current Assets						
Investment property	-	-	-	9,159,315	9,159,315	24
Property, plant and equipment	3,154,240,000	-	3,154,240,000	3,334,125,844	179,885,844	25
Intangible assets	1,301,000	-	1,301,000	632,048	(668,952)	26
Total Assets						
	3,155,541,000	-	3,155,541,000	3,343,917,207	188,376,207	
	4,680,466,000	-	4,680,466,000	4,340,505,498	(339,960,502)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	401,614,000	-	401,614,000	436,581,290	34,967,290	27
Consumer deposits	-	-	-	2,454,242	2,454,242	28
Unspent conditional grants and receipts	-	-	-	330,596	330,596	
Provisions	-	-	-	52,657,298	52,657,298	29
Non-Current Liabilities						
	138,443,000	-	138,443,000	59,034,940	(79,408,060)	
	540,057,000	-	540,057,000	551,058,365	11,001,365	
Total Liabilities						
	401,614,000	-	401,614,000	492,023,425	90,409,425	
Net Assets						
	4,140,409,000	-	4,140,409,000	3,789,447,133	(350,961,867)	
Net Assets Attributable to Owners of Controlling Entity						
Reserves	4,140,409,000	-	4,140,409,000	3,789,447,133	(350,961,867)	
Accumulated surplus						

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual for the year ended 30 June 2018

Budget on Accrual Basis

Approved	Adjustments	Final Budget	Actual	Difference	Reference
Figures in Rand					
comparable amounts on budget and actual basis					
Difference					

Cash Flow Statement

Cash flows from operating activities

Receipts	91,929,000	66,422,000	158,351,000	159,764,298	1,413,298
Grants	1,207,212,000	-	1,207,212,000	1,193,386,000	(13,826,000)
Interest income	27,110,000	-	27,110,000	13,457,755	(13,652,245)
	1,326,251,000	66,422,000	1,392,673,000	1,366,608,053	(26,064,947)

Payments

Suppliers and employee costs	(807,439,000)	-	(807,439,000)	(910,051,191)	(102,612,191)
Finance costs	(342,000)	(200,000)	(542,000)	(54,109)	487,891
Transfers and subsidies	(10,168,000)	-	(10,168,000)	-	10,168,000
	(817,949,000)	(200,000)	(818,149,000)	(910,105,300)	(91,956,300)

Net cash flows from operating activities

	508,302,000	66,222,000	574,524,000	456,502,753	(118,021,247)
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Cash flows from investing activities

Purchase of property, plant and equipment	(553,041,000)	-	(553,041,000)	(445,207,732)	107,833,268
Proceeds from sale of property, plant and equipment & intangible assets	750,000	-	750,000	171,275	(578,725)
	(552,291,000)	-	(552,291,000)	(445,036,457)	107,254,543

Net cash flows from investing activities

	(43,989,000)	66,222,000	22,233,000	11,466,296	(10,766,704)
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Net increase/(decrease) in cash and cash equivalents

	125,763,000	-	125,763,000	98,339,417	(27,423,583)
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Cash and cash equivalents at the end of the year

	81,774,000	66,222,000	147,996,000	109,806,713	(38,190,287)
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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30 June 2018
Business Unit

2017 2018

Figures in Rand

VARIANCE EXPLANATIONS.

1. Service charges : the variance is due to a considerable number of faulty meters and slow formalisation of townships
2. Rental of facilities and equipment : due to slow economic growth and persistent economic challenges there was insignificant take up of rental properties and equipment by the business and community.
3. Agency services: the municipality collected more form license and car registrations as well as drivers licensing. Automated process through e-Natis has improved the operations hence the DLTCs have capacity to serve more people.
4. License and permits: the municipality had anticipated to register more business licenses in the current year. Due to slow economic growth this was not achieved.
5. Other income: the variance is due to insurance refund and a debtor raised against Eskom which was not anticipated during budget preparations.
6. Interest on outstanding debtors: due to the slow payment of debtors the municipality realised an increase in interest on outstanding balances.
7. Public Contributions and donations: the donations from quasi government and private sector were not anticipated at the budget stage.
8. Fines, penalties and forfeits: through the contracted service provider the municipality issued a substantial number of traffic tickets hence the higher revenue.
9. Employee related costs: the variance was due to the revised approved organogram to cater for vacant positions which were substantially filled.
10. Depreciation: the ageing infrastructure reaching its useful lives and significant write downs due to the full verification carried out by the municipality in the 2017-18 period.
11. Impairment loss: the municipality embarked on the full verification and conditional assets of all municipal assets and this resulted in the impairment loss which was not budgeted for.
12. Debt impairment : the municipality collection rate was low from households and business during the year and a considerable number of consumers are indigent hence an marginal increase in impairment.
13. Bulk purchases: water restrictions and cuts led to low usage hence low billings from Rand Water.
14. Finance costs: the interest largely consist of Rand water interest billing on disputed readings . The dispute resolution process as per the signed agreement is underway.
15. Contracted Services: the reclassifications from operating expenditure, repairs and maintenance to be in line with the mSCOA and adherence to GRAP reporting framework led to the significant variances.
16. General/ Operating expenses: the reclassifications to be in line with the mSCOA and GRAP reporting framework led to the significant variances.
- 17 & 18. General/ Operating expenses: the reclassifications to be in line with the mSCOA and GRAP reporting framework led to the significant variances.
19. Inventories: through proper inventory management, maintaining a reorder levels through automated processes the municipality did not hold up large quantities of inventory during the year.
20. Receivable from non exchange: Government debtors paid for property rates in the current year, this was mainly enhanced through government forums, intervention by COGTA, Provincial Treasury and the Premier office.
21. VAT receivable: this was a result of proper application controls to ensure accuracy on both input and output VAT.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

2017

2018

22. Receivables from exchange: with low collection rates which have been prevalent in prior years, there was an anticipated higher debtors book.

23. Cash and cash equivalents: through proper management of cashflows a positive balance was achieved.

24. Investment property: during the budget stage this was bundled together as property plant and equipment.

25. Property, plant and equipment: Increased funding for capital projects for MIG, WSIG and RBIG led to the implementation of capital projects hence increase in asset base than anticipated during budget preparations.

26. Intangible Assets: the municipality had anticipated to buy more software for MSCOA implementation which was not the case during the year.

27. Payables from exchange transactions: the municipality settled long outstanding creditors including the Rand Water debt leading to the reduction in accounts payable.

28. Consumer deposits: during the budget phase, these were included in payables from exchange transactions.

29. Provisions: the useful lives of landfill sites were reviewed to nil thus the rehabilitation costs falls due in the next twelve months.

30. Interest income: lower interest earned from the bank balances than anticipated.

31. Supplier and employee costs: the variance is due to increased expenditure in the year under review and payments made in the settlement of creditors, including significant payment to reduce the Rand Water balance.

32. Finance cost: the outflow of cash through finance cost was minimum as the municipality was ensuring a significant number of payments are done within 30 days.

33. Transfers and subsidies: All the actual payments are grouped under suppliers and employee cost and this class of transaction was erroneously budgeted for.

34. Purchase of current year Assets: the cash paid for the asset additions was less than anticipated though a significant invoices were accrued and paid in the new year.

35. Proceeds from sale of assets: the assets approved by council and eventually sold were less than the anticipated ones.

MANAGEMENT BASIS FOR VARIANCE EXPLANATIONS

1. Management considers variances in excess of 10% or where it is deemed fit and appropriate to do so, an explanation is provided.

Accounting Policies for the year ended 30 June 2018

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of annual financial statements, is disclosed below.

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation of uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of trade and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor.

The impairment of trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

Grade A: No provision. Customer payments are up to date. There is no balance in arrears.

Grade B: 100% of balance outstanding in excess of 90 days. Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade C: 100% of total balance outstanding on account. Customers with no payment history. Accounts are considered to be delinquent. The balance is provided for in full (100% of the amount outstanding).

Government debtors are excluded from provision calculation as they generally have a history of meeting their obligations.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2018 **Accounting Policies for the year ended 30 June 2018**

1.3 Significant judgements and sources of estimation of uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste water and water network assets and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

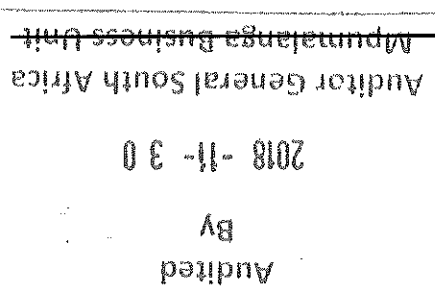
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies for the year ended 30 June 2018

1.4 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

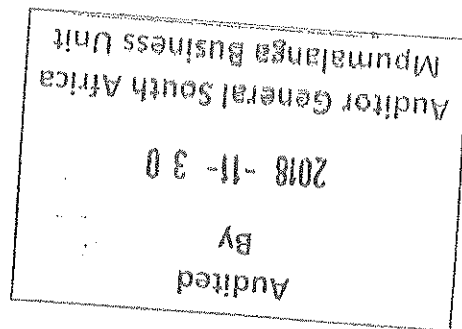
Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:
Property - buildings 3-41 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies for the year ended 30 June 2018

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for work in progress which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Community Assets	Straight line	3-82 years
Buildings	Straight line	3-41 years
Infrastructure Assets	Straight line	2-100 years
Motor Vehicles	Straight line	3-10 years
Computer Equipment	Straight line	2-10 years
Furniture and Office Equipment	Straight line	1-12 years
Other Machinery and Equipment	Straight line	1-20 years
Temporary Operational Buildings	Straight line	5-60 years

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies for the year ended 30 June 2018

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability after the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

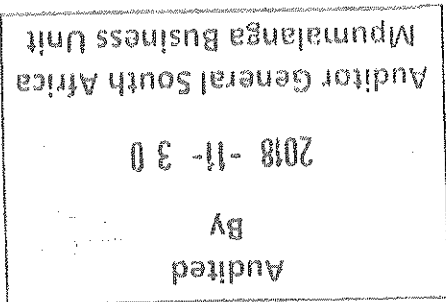
Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.



BUSHBUCKRIDGE LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2018 **Accounting Policies for the year ended 30 June 2018**

1.8 Financial Instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transaction	Financial asset measured at amortised cost
Receivables from non-exchange transaction	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

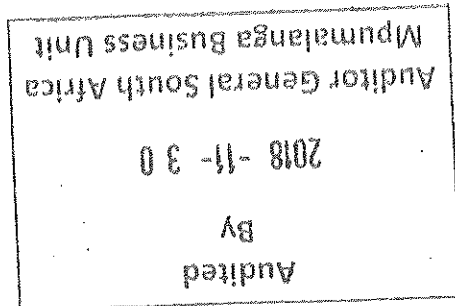
Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

BUSHBUCKRIDGE LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2018

Accounting Policies for the year ended 30 June 2018

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Trade payables

Trade payables are measured at fair value.

Liabilities for annual leave (accrued leave) and annual bonus are recognised as they accrue to employees. Accrual is based on potential liability to the municipality.

Receivables

Receivables are measured at fair value.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

Amounts receivable within 12 months from date of reporting are classified as current.

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1.9 Leases

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories consist of raw materials, water and consumables.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.11 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

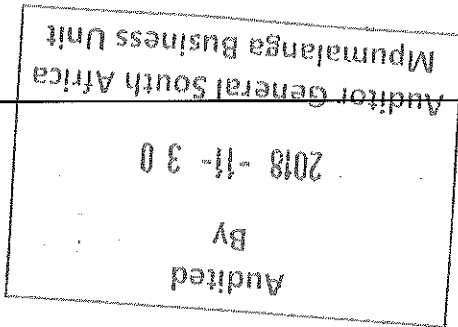
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

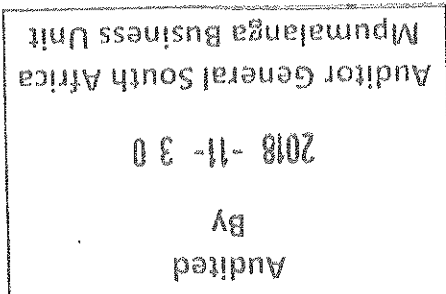
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.12 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality;
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies for the year ended 30 June 2018

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

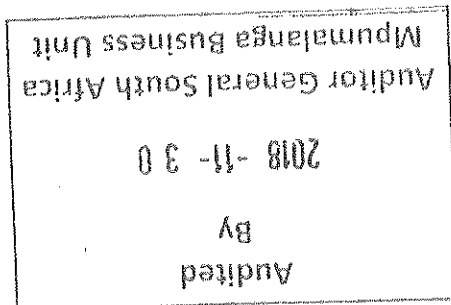
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Accumulated Surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made. An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.



1.14 Employee benefits

Employee benefits are all forms of consideration given by a entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality pays post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

The municipality does not have any post employment benefits.

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Accounting Policies for the year ended 30 June 2018

1.14 Employee benefits (continued)

Other post retirement obligations

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
 - minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.
- The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
 - interest cost;
 - the expected return on any plan assets and on any reimbursement right recognised as an asset;
 - actuarial gains and losses, which shall all be recognised immediately;
 - past service cost, which shall all be recognised immediately; and
 - the effect of any curtailments or settlements.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

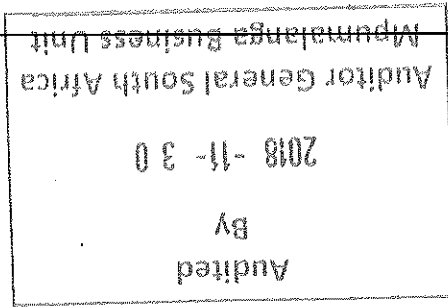
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.



1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- If the related asset is measured using the cost model:
 - changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
 - the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
 - if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- If the related asset is measured using the revaluation model:
 - changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
 - in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
 - a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
 - the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

- Commitments are disclosed in the financial statements if they meet the following criteria;
- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non-routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure notes to the extent that such amounts have not been recorded in the financial statements. Commitments disclosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

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Service charges

Water - charges relating to the distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history are made on a monthly basis when meter readings have not been performed. Approved tariffs are levied on different categories of property on a monthly basis.

Refuse - refuse removal is recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and levied on a monthly basis.

Sewerage and sanitation - charges are based on the type of service and the number of sewer connections on all developed property using the approved tariffs.

Agency service - income from agency is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Rendering of services

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Measurement

Revenue is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

1.17 Revenue from exchange transactions

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1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed, as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.18 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges and penalties interest

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

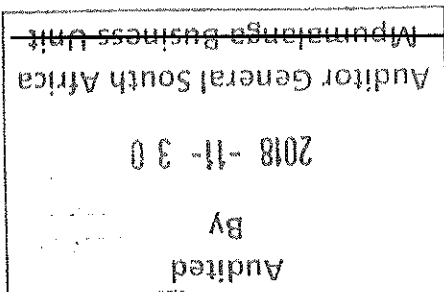
Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.



1.18 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Government grants

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

1.27 Events after reporting date

Only transactions with related parties with arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in instances where they are required to perform such functions.

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

1.26 Related parties

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

1.25 Budget information

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water purchased.

1.24 Distribution losses

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. Irregular expenditure is accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

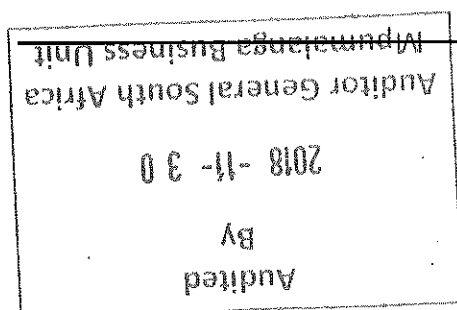
Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

1.23 Irregular expenditure (continued)

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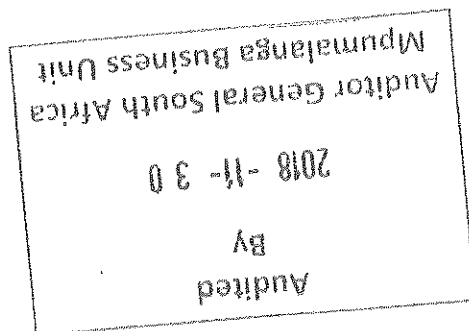
Accounting Policies for the year ended 30 June 2018

1.27 Events after reporting date (continued)

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



Accounting Policies for the year ended 30 June 2018

1.28 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Major expense items disclosed in the Statement of Financial Performance include:

- **Bulk purchases** – expenditure on the procurement of bulk water.
- **Contracted services** – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs. Due to mSICOA repairs and maintenance is now classified as contracted service.
- **Transfers and grants** which relate to expenditure pertaining to free basic services and general expenses which constitute several expense items which are not individually significant.
- **Write downs** of inventory and decreases in fair values of financial instruments classified as held at fair value.
- **Losses on the disposal** of non-current assets are reported separately from expenses in the Statement of Financial Performance.

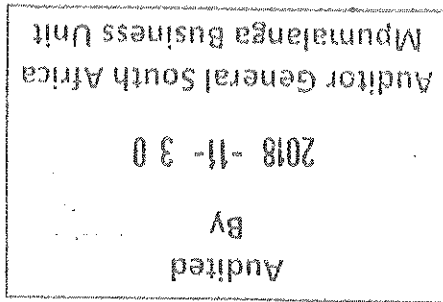
An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

1.29 Value Added Tax

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) and (15% from 1 April 2018 as announced by the Minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.



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Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

2018

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Notes to the Annual Financial Statements for the year ended 30 June 2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2020

The municipality expects to adopt the amendment for the first time in 2021.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

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Notes to the Annual Financial Statements for the year ended 30 June 2018

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard further states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is 1 April 2019.

The municipality expects to adopt the amendment for the first time in 2020.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is 1 April 2019.

The municipality expects to adopt the amendment for the first time in 2020.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

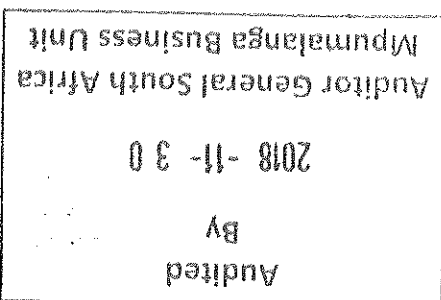
GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is 1 April 2019.

The municipality expects to adopt the amendment for the first time in 2020.



Notes to the Annual Financial Statements for the year ended 30 June 2018

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph 12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

Notes to the Annual Financial Statements for the year ended 30 June 2018

2. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.
It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of equipment in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements for the year ended 30 June 2018

2.

New standards and interpretations (continued)

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

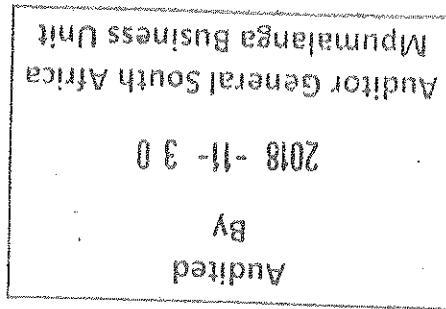
The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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3. INVENTORIES

Maintenance materials

2,801,098	3,115,673
-----------	-----------

INVENTORY PLEDGED AS SECURITY

None of the inventory was pledged as security during the year or the previous financial year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Fines	38,915,050	12,366,342
Eskom deposits	4,491,374	1,768,922
Other taxes	2,866,591	26,240
Grant rollover declined- Equitable share withheld	6,245,671	-
Property Rates	462,414,712	416,906,258
	514,933,398	431,067,762

RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS

None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year.

ESKOM DEPOSITS

0-365 days
>365 days

FINES

Gross balances
Provision for impairment

19,680,356	62,702,649	12,366,343
(7,314,013)	(23,787,599)	(7,314,013)
12,366,343	38,915,050	12,366,343

PROPERTY RATES

Gross balances
Provision for impairment

727,341,341	781,791,589	416,962,406
(310,378,935)	(319,376,877)	(310,378,935)
416,962,406	462,414,712	416,962,406

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Opening balance
Provision for impairment

280,873,472	310,378,935	310,378,935
29,505,463	8,997,942	310,378,935
310,378,935	319,376,877	310,378,935

5. VAT RECEIVABLE

VAT

VAT CONTROL ACCOUNT
VAT OUTPUT
VAT INPUT

118,158,372	73,346,266	118,158,372
37,146,590	20,106,725	118,158,372
(30,041,559)	(35,140,100)	73,346,266
118,158,372	73,346,266	118,158,372

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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5. VAT RECEIVABLE (continued)

VAT is accounted for on a payments basis.

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

GROSS BALANCES

Water
Waste water
Rental
Waste
Interest
Housing
Service Charges

10,905,848
214,886,936
32,135,377
1,804,945
43,695,597
328,004,774
2,601,804
6,053,174

8,283,773
191,720,244
28,115,533
947,735
41,474,396
217,753,593
2,601,804
18,726,852

LESS: ALLOWANCE FOR IMPAIRMENT

Water
Waste water
Rental
Waste
Interest
Housing
Service Charges

(99,585,947)
(14,913,052)
(837,611)
(20,277,692)
(204,745,257)
(1,207,405)
(2,819,675)

(82,033,468)
(12,007,637)
(404,428)
(17,719,906)
(92,923,875)
(1,110,270)
(2,644,539)

NET BALANCE

Water
Waste water
Rental
Waste
Interest
Housing rental
Service Charges

10,905,848
115,300,989
17,222,325
967,334
23,417,905
123,259,517
1,394,399
3,233,499

8,283,773
109,686,776
16,107,896
543,307
23,754,490
124,829,718
1,491,534
16,082,313

ESKOM-FREE BASIC SERVICES

Current (0 -30 days)

10,905,848

8,283,773

WATER

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
> 121 days

1,456,462
1,391,089
1,152,969
302,594
110,997,874

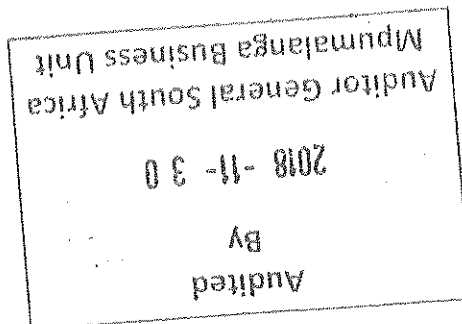
4,896,501
2,157,689
3,349,475
2,877,876
96,922,046

WASTE WATER

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
> 121 days

243,424
172,746
292,011
192,058
22,517,666

40,765
(3,255)
588,837
586,149
14,918,538



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

	2018	2017
WASTE		
Current (0 - 30 days)	133,687	173,143
31 - 60 days	166,392	333,830
61 - 90 days	162,659	324,297
91 - 120 days	204,832	586,148
> 121 days	16,564,755	22,387,466
	17,222,325	23,804,884
RENTAL		
Current (0 - 30 days)	37,821	16,720
31 - 60 days	37,749	9,548
61 - 90 days	37,749	16,174
91 - 120 days	37,749	143,708
> 121 days	816,266	357,157
	967,334	543,307
INTEREST		
Current (0 - 30 days)	3,694,735	9,652,892
31 - 60 days	3,687,880	15,078,738
61 - 90 days	3,538,931	9,338,457
91 - 120 days	3,344,359	13,345,855
> 121 days	108,993,611	77,413,776
	123,259,516	124,829,718
HOUSING		
> 121 days	1,394,399	1,491,534
SERVICE CHARGES		
Current (0 - 30 days)	(189,481)	10,699
31 - 60 days	(43,330)	6,285
61 - 90 days	(2,022,722)	71,463
91 - 120 days	(855,700)	96,464
> 121 days	6,344,732	15,898,402
	3,233,499	16,082,313

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6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION

HOUSEHOLDS AND OTHER

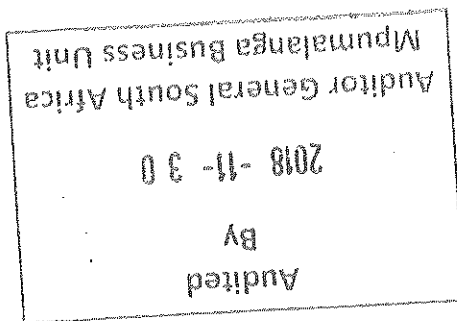
Current (0 - 30 days) 30,325,507
31 - 60 days (17,714)
61 - 90 days 9,581,728
91 - 120 days 9,981,502
121 - 150 days 21,528,272
> 151 days 461,294,300

COMMERCIAL

Current (0 - 30 days) 6,429,215
31 - 60 days 17,621
61 - 90 days 3,027,461
91 - 120 days 3,045,151
121 - 150 days 5,738,801
> 151 days 126,746,982

GOVERNMENT

Current (0 - 30 days) 30,262,349
31 - 60 days 13,151
61 - 90 days 14,721,001
91 - 120 days 14,552,475
121 - 150 days 30,219,610
> 151 days 654,182,508



TOTAL

Current (0 - 30 days) 67,017,071
31 - 60 days 13,058
61 - 90 days 27,330,190
91 - 120 days 27,579,128
121 - 150 days 57,486,683
> 151 days 1,242,223,790

RECEIVABLES PLEDGED AS SECURITY

No receivables were pledged as security for any facilities.

RECEIVABLES PAST DUE BUT NOT IMPAIRED

Government debtors past due were not impaired due to their nature and that they generally meet their obligations.

RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM EXCHANGE TRANSACTIONS

Opening balance 208,844,122
Allowance for impairment 135,542,515

344,386,637	208,844,122
171,995,223	36,848,899
208,844,122	208,844,122

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

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7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand
Current account balances
Call account balances

158,979	109,805,713
15,840,833	
89,821,461	
110,633	
8,407,323	
89,821,461	
98,339,417	

Included in the cash and cash equivalents is an amount of R5 927 660.75 which was withheld by First National Bank due to an ongoing court case.

THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB Bank IA09591	10,570,093	(21,893)	611,026	10,570,093	(21,893)	611,026
FNB Bank IA09538	7,774,039	2,765,818	2,873,878	7,774,039	2,765,818	2,873,878
FNB Bank IA09494	84,410,358	82,885,609	62,473,930	84,410,358	82,885,609	62,473,930
FNB Bank IA09538	1,621,505	4,170,035	1,252,355	1,621,505	4,170,035	1,252,355
Standard Bank IA09518	5,270,740	8,429,516	68,275,439	5,270,740	8,429,516	68,275,439
Total	109,646,735	98,229,085	135,486,628	109,646,735	98,229,085	135,486,628

Bank statement balances

Cash book balances

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8. INVESTMENT PROPERTY

	2018		2017			
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Buildings	13,685,028	(4,525,713)	9,159,315	13,685,028	(3,621,066)	10,063,962

RECONCILIATION OF INVESTMENT PROPERTY - 2018

	Opening balance	Depreciation	Total
Buildings	10,063,962	(904,647)	9,159,315

RECONCILIATION OF INVESTMENT PROPERTY - 2017

	Opening balance	Depreciation	Total
Buildings	10,967,990	(904,028)	10,063,962

PLEDGED AS SECURITY

None of the investment property assets were pledged as security during the current or previous financial year

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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9. PROPERTY, PLANT AND EQUIPMENT

	2018		2017	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
Land	172,443,983	-	172,443,983	172,443,983
Buildings	69,620,302	(24,721,324)	44,898,978	68,831,727
Infrastructure	2,746,852,774	(298,133,669)	2,448,719,105	2,216,717,953
Community	179,866,121	(54,878,077)	124,988,044	176,179,575
Other property, plant and equipment	97,697,259	(52,785,341)	44,911,918	78,566,831
Work in progress (WIP)	498,163,816	-	498,163,816	601,479,248
Other Assets (WIP)	-	-	-	5,918,419
Total	3,764,644,255	(430,518,411)	3,334,125,844	3,320,137,736
				(328,390,676)
				2,991,747,060

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	172,443,983	-	-	-	-	-	172,443,983
Buildings	48,965,827	788,575	-	-	(4,855,424)	-	44,898,978
Infrastructure	1,992,096,816	18,688,881	-	511,446,001	(66,673,544)	(6,839,049)	2,448,719,105
Community	131,388,033	-	-	3,686,545	(10,086,534)	-	124,988,044
Other property, plant and equipment	39,454,734	13,142,907	(3,885)	6,688,630	(13,260,925)	(1,109,543)	44,911,918
Work in progress (WIP)	601,479,248	411,817,158	-	(515,132,546)	-	-	498,163,816
Other Assets (WIP)	5,918,419	770,211	-	(6,688,630)	-	-	-
	2,991,747,060	445,207,732	(3,885)	-	(94,876,427)	(7,948,592)	3,334,125,844

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2017

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	236,139,811	-	(1,068,000)	-	-	(62,627,828)	-	172,443,983
Buildings	49,862,986	1,281,533	(1,536,922)	4,514,876	-	-	(5,156,646)	48,965,827
Infrastructure	1,590,752,488	15,488,503	(400,241)	442,956,304	-	-	(56,700,238)	1,992,096,816
Community	116,942,321	5,141,409	-	20,637,009	-	-	(11,332,706)	131,388,033
Other property, plant and equipment	26,245,493	20,145,766	(292,802)	-	1,329,156	-	(7,972,879)	39,454,734
Work in progress (WIP)	499,710,129	569,877,308	-	(468,108,189)	-	-	-	601,479,248
Other Assets (WIP)	4,025,136	1,893,283	-	-	-	-	-	5,918,419
	2,523,678,364	613,827,802	(3,297,965)	-	1,329,156	(62,627,828)	(81,162,469)	2,991,747,060

PLEDGED AS SECURITY

None of the tangible assets were pledged as security during the current or previous financial year.

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF WORK-IN-PROGRESS 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	601,479,248	-	5,918,419	607,397,667
Additions	411,817,158	-	770,211	412,587,369
Transferred to completed items	(511,446,002)	(3,686,545)	(6,688,630)	(521,821,177)
	501,850,404	(3,686,545)	-	498,163,859

RECONCILIATION OF WORK-IN-PROGRESS 2017

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	499,710,129	4,025,136	503,735,265
Additions	569,877,308	1,893,283	571,770,591
Transferred to completed items	(468,108,189)	-	(468,108,189)
	601,479,248	5,918,419	607,397,667

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. INTANGIBLE ASSETS

	2018		2017	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	4,828,947	(4,196,899)	632,048	4,828,947
				(3,937,906)
				891,041

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10. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS -30 JUNE 2018

	Opening balance	Amortisation	Total
Computer software	891,041	(258,993)	632,048

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10. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2017

	Opening balance	Additions	Amortisation	Total
Computer software	982,722	805,243	(896,924)	891,041

PLEGGED AS SECURITY

None of the intangible assets were pledged as security during the current or previous financial year.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	221,277,520	286,357,870
Retention and Surety	106,227,251	91,610,314
Accrued bonus	11,253,503	10,124,900
Other payables	(3,892,652)	17,312,908
Sundry creditors	101,715,673	145,879,689
	436,581,295	551,285,681

12. CONSUMER DEPOSITS

Consumer Deposit	2,454,242	2,440,536
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13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Regional Bulk Infrastructure Grant	330,595	3,765,317
Integrated National Electrification Programme	-	3,815,012
	330,595	7,580,329

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14. PROVISIONS

RECONCILIATION OF PROVISIONS - 30 JUNE 2018

	Opening Balance	Additions	Total
Environmental rehabilitation provision	23,413,761	1,108,231	24,521,992
Leave provision	25,302,839	4,393,643	29,696,482
Long service awards	25,061,000	3,344,227	28,405,227
Provision for bulk purchases	29,068,537	-	29,068,537
	102,846,137	8,846,101	111,692,238

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14. PROVISIONS (continued)

RECONCILIATION OF PROVISIONS - 30 JUNE 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation provision	17,848,176	5,565,585	-	-	23,413,761
Leave provision	26,322,480	-	(1,019,641)	-	25,302,839
Long service awards	24,299,000	4,573,000	(1,289,654)	(2,521,346)	25,061,000
Provision for bulk purchases	29,068,537	-	-	-	29,068,537
	97,538,193	10,138,585	(2,309,295)	(2,521,346)	102,846,137

Non-current liabilities
Current liabilities

59,034,940	45,114,761
52,657,298	57,731,376
111,692,238	102,846,137

ENVIRONMENTAL REHABILITATION PROVISION

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at the amortised cost.

The rehabilitation costs were determined by OnePangea, who are qualified and experienced engineers.

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14. PROVISIONS (continued)

LONG SERVICE AWARDS

Long service awards consist of an obligation to pay out a bonus in the year of the employee attaining the required length of service. The obligation presents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers long service bonuses for every five(5) years of continuous service completed, starting from ten(10) years to forty-five(45) years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially settled in cash.

The key assumption used in the valuation:

- Discount rate 8.98% (2017:8.84%)
- CPI 5.48% (2017:5.64%)
- Salary increase rate 6.48% (2017:6.64%)
- Net Discount rate 2.35% (2017:2.06%)
- Mortality SA85-90 (2017:SA85-90)

The actuarial valuation of the long service awards accrued liability was carried out by D.T. Murerwa, a fellow of the Institute of Actuaries.

15. SERVICE CHARGES

Water reconnection fees
Refuse
Sewerage and sanitation charges
Sale of water

45,837	37,583,578
60,303	39,388,438
5,180,485	
2,902,972	
31,244,678	

16. RENTAL OF FACILITIES AND EQUIPMENT

PREMISES
Premises

FACILITIES AND EQUIPMENT

Rental of facilities
Rental of equipment

141,662	244,019
102,357	795,901
154,226	283,150
128,924	1,108,530

17. AGENCY INCOME

Agency services

11,614,736	10,353,927
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The municipality receives the 20% agents income on all funds collected on behalf of the Department of Safety Security and Liaison

18. LICENCES AND PERMITS

Licences and permits

589,885	153,310
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This represents funds received in relation to business, trading and traffic income licensing.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

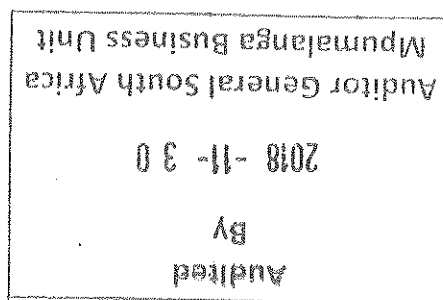
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19. OPERATING INCOME

Administration fee
Amendment of names
Eskom: Free basic electricity
Cemetery
Clearance certificates
Insurance refund
Library fees
Photocopies
Plan approval
Proof of residence
Sale of tender documents
Site inspection
Sundry income



20. INTEREST

INTEREST REVENUE

Interest

123,785,323
121,533,340

The amount of R13 457 755 represents interest earned from positive bank balances maintained during the year.

The amount of R110 327 568 represents interest levied to outstanding debtors.

21. PROPERTY RATES

RATES LEVIED

Business and Commercial
Residential Developed
Vacant Land
Industrial Properties
State Owned Properties
Agricultural Property, Protected Areas, Public Benefit Organisation and Public
Service Infrastructure

185,624,245
160,280,800

VALUATIONS

Agriculture
Commercial
Public Benefit Organisations
Public Service Infrastructure
Residential
State
Vacant land
Municipality
Protected Area
Protected Area Business
Protected Area Individual

94,845,000
629,524,200
25,668,000
53,500
1,918,184,800
3,257,749,050
155,644,600
247,263,000
23,338,113,000
550,665,000
192,890,000
30,410,600,150

Valuations on land and buildings are performed every 4 (four) years. The last general valuation done by Valuers Africa came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Various rates are used for the different categories which are applied to property valuations to determine assessment rates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

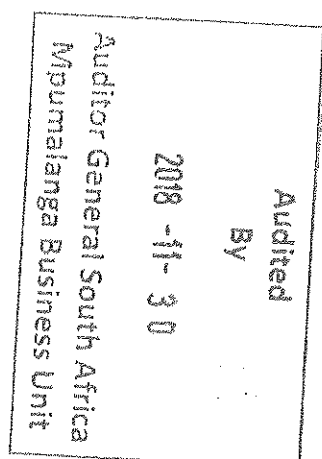
Annual Financial Statements for the year ended 30 June 2018

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22. TRANSFERS AND SUBSIDIES

Operating grants	
Equitable Share	
Financial Management Grant	
Local Government Sector Education Training Authority	
Expanded Public Works Programme Grant	
Capital grants	
Integrated National Electrification Programme	
Municipal Infrastructure Grant	
Municipal Water Infrastructure Grant	
Regional Bulk Infrastructure Grant	
Human Settlement Grant	
Water Services Infrastructure Grant	



683,632,000	695,444,546
2,145,000	312,546
9,355,000	655,388,928
647,298,000	
1,810,000	
2,500,928	
3,780,000	
666,368,566	
1,321,757,494	

CONDITIONAL AND UNCONDITIONAL

All allocations to the municipality were received from National Treasury and has complied interms of section 214(1)(c) of the constitution.

EQUITABLE SHARE

This grant is used to enable the municipality to provide basic services and perform functions allocated to it.

In terms of Section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality.

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Current-year receipts 394,080,000
Conditions met - transferred to revenue (393,773,000)

The grant is mainly used to fund infrastructure related projects (mainly as part of services delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

FINANCIAL MANAGEMENT GRANT (FMG)

Current-year receipts 2,145,000
Conditions met - transferred to revenue (1,810,000)

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT (EPWP)

Current-year receipts 9,355,000
Conditions met - transferred to revenue (3,780,000)

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22. TRANSFERS AND SUBSIDIES (continued)

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

REGIONAL BULK INFRASTRUCTURE GRANT (RBIG)

Balance unspent at beginning of year	3,765,317
Current-year receipts	3,000,000
Conditions met - transferred to revenue	(2,669,405)
Rollover	(3,765,317)
	330,595

3,765,317

Conditions still to be met - remain liabilities (see note 13).

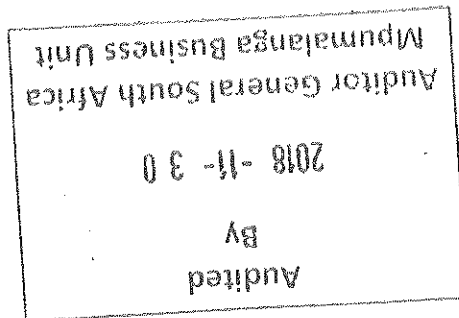
The purpose of this grant is to construct bulk water line that will enable the municipality to reticulate water in its various areas.

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)

Balance unspent at beginning of year	3,815,012
Current-year receipts	5,000,000
Conditions met - transferred to revenue	(5,000,000)
Rollover	(3,815,012)
	-

3,815,012

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.



BUSHBUCKRIDGE LOCAL MUNICIPALITY

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22. TRANSFERS AND SUBSIDIES (continued)

HUMAN SETTLEMENTS GRANT

Current-year receipts
Conditions met - transferred to revenue

-	-
44,000,000	(44,000,000)

The purpose of the grant is to assist in the reticulation of water for the community through increased water storage capacity.

WATER SERVICES INFRASTRUCTURE GRANT

Current-year receipts
Conditions met - transferred to revenue

-	-
110,000,000	(110,000,000)
150,000,000	(150,000,000)

The purpose of the grant is to reticulate water in various areas of the municipality.

MUNICIPAL WATER INFRASTRUCTURE GRANT

Current-year receipts
Conditions met - transferred to revenue
Other

-	-
60,000,000	(40,000,000)
-	(20,000,000)

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

23. PUBLIC CONTRIBUTIONS AND DONATIONS

Public contributions and donations

7,041,592	11,120,498
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1. The municipality received R20 000 and R25 000 from Standard bank & First National Bank respectively

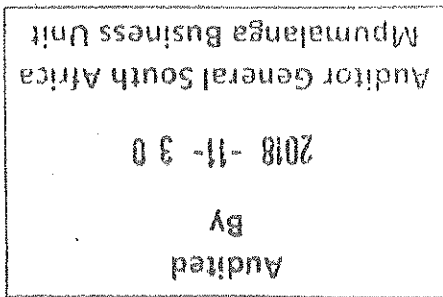
2. Enhlanzeni District Municipality funded and implemented the upgrading of Agincourt booster and pumpstation in Bushbuckridge municipality.

24. FINES AND PENALTIES

Current year

44,454,673	11,761,564
------------	------------

The figure relates to traffic fines for the current year



BUSHBUCKRIDGE LOCAL MUNICIPALITY

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25. Employee related costs

Basic
Bonus
Medical aid - company contributions
Uf
SDL
Leave pay provision charge
Pension
Overtime payments
Long-service awards
Acting allowances
Car allowance
Housing benefits and allowances
South African Local Government Association
Shift and Standby Allowance

Remuneration of municipal manager

2018	2017
268,357,038	240,919,867
27,763,466	24,324,342
15,476,023	13,809,540
2,030,270	1,794,724
3,317,996	2,819,396
3,684,952	(267,428)
52,277,083	47,559,228
5,489,199	3,318,208
1,264,773	2,503,000
2,058,483	1,444,541
20,480,920	17,318,474
373,516	490,895
110,333	98,293
3,122,882	6,215,971
405,806,934	362,349,050

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Annual Remuneration
Car Allowance
Performance Bonuses
Contributions to Uf, Medical and Pension Funds
Acting Allowance
Rural Allowance
SDL, SALGA, Leave Payout and Reimbursement (km)

2018	2017
548,228	915,502
355,586	596,979
72,093	35,024
14,550	45,836
107,163	-
57,778	114,825
170,615	21,966
1,326,013	1,730,132

The Municipal Manager Mr C Lisa was appointed in January 2015 and contract ended 31 January 2018.

Mr E Mashava acted from 1 February till 30 June 2018

Remuneration of Chief Finance Officer

Annual Remuneration
Car Allowance
Performance Bonuses
Contributions to Uf, Medical and Pension Funds
SDL, SALGA, Leave Payout and Reimbursement (km)

2018	2017
999,634	1,140,028
628,902	372,616
78,289	37,682
48,237	48,237
16,374	15,311
1,771,436	1,613,874

Mrs CA Nkuna was the Chief Financial Officer during the year under review.

Remuneration of Director Technical Services

Annual Remuneration
Car Allowance
Performance Bonuses
Contributions to Uf, Medical and Pension Funds
Acting Allowance
SDL, SALGA, Leave Payout and Reimbursement (km)

2018	2017
787,904	726,828
496,693	461,472
58,933	37,021
1,785	1,785
70,775	-
97,377	11,421
1,513,467	1,238,527

Mr E Mashava was the Technical Director during the year under review.
Mr E Rikhotso was acting as Technical Director from 01 February 2018 to 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

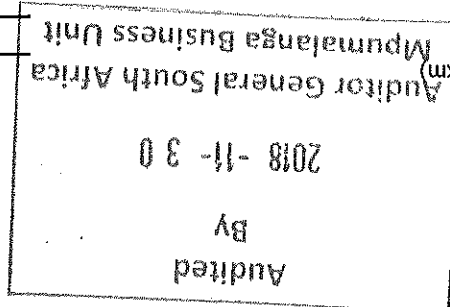
Notes to the Annual Financial Statements for the year ended 30 June 2018

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2018	2017
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25. Employee related costs (continued)

Remuneration of Director Corporate Services



Annual Remuneration	764,202	726,828
Car Allowance	468,504	446,875
Performance Bonuses	58,933	11,346
Contributions to UIF, Medical and Pension Funds	24,765	19,716
SDL, SALGA, Leave Payout and Reimbursement (km)	16,450	12,540
Total	1,332,854	1,217,305

Mr R Khoza was the Director Corporate and Human Resources during the year under review.

Remuneration of Director Local Economic Development Planning and Environment

Annual Remuneration	715,472	670,240
Car Allowance	450,085	415,527
Performance Bonuses	60,135	28,366
Contributions to UIF, Medical and Pension Funds	48,237	48,237
13th Cheque	88,177	55,510
SDL, SALGA, Leave Payout and Reimbursement (km)	95,892	11,419
Total	1,457,998	1,229,299

Mrs S Mogakane was the Director for Local Economic Development, Planning and Environment for the year under review. Additional

Remuneration of Director Community Services

Annual Remuneration	767,864	726,828
Car Allowance	496,693	461,472
Performance Bonuses	58,933	28,366
Contributions to UIF, Medical and Pension Funds	1,758	1,785
SDL, SALGA, Leave Payout and Reimbursement (km)	14,334	12,569
Total	1,339,582	1,231,020

Dr LZ Mkhabela was the Director for Community Services Directorate for the year under review.

26. REMUNERATION OF COUNCILLORS

Mayor	829,677	829,677
Mayor committee members	6,019,826	5,033,855
Speaker	682,821	682,812
Councillors	20,539,709	21,529,409
Total	28,072,033	28,075,753

IN-KIND BENEFITS

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is provided with a Council owned vehicle for official duties.

The Executive Mayor has two full time bodyguards

The remuneration of councillors and political office-bearers are within the upper limits.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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2018	2017
27. DEPRECIATION AND AMORTISATION	
Property, plant and equipment	83,131,938
28. IMPAIRMENT OF ASSETS	
IMPAIRMENTS	
Property, plant and equipment	7,944,908
29. FINANCE COSTS	
Trade and other payables	19,331,593
The interest disclosed is mainly current interest cost for the year.	22,850,016
30. DEBT IMPAIRMENT	
Debt impairment traffic	16,473,586
Impairment of consumer receivables	144,540,458
31. BULK PURCHASES	
Water	196,493,342
32. CONTRACTED SERVICES	
Outsourced	78,814,554
Professional Services and Consultants	44,622,162
Contractors	22,615,693
33. TRANSFERS AND SUBSIDIES	
OTHER SUBSIDIES	
Indigent relief	13,617,199
	16,600,813

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Annual Financial Statements for the year ended 30 June 2018

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34. GENERAL EXPENSES

	2018	2017
Advertising	2,999,008	665,411
Auditor's remuneration	5,320,715	5,725,788
Bank charges	635,806	508,377
Discount allowed	5,330,611	1,210,339
Fines and Penalties	-	352,743
Hire	200,219	-
Insurance	8,734,289	9,459,454
Community development and training	-	2,631,380
IT expenses	1,236,160	985,479
Fuel and oil	4,390,342	4,097,906
Postage and courier	28,659	16,727
Printing and stationery	802,941	2,804,756
Protective clothing	3,402,047	818,423
Subscriptions and membership fees	4,813,819	108,999
Telephone and fax	267,891	100,668
Travel - local	5,584,424	166,478
Utilities - Other	1,896,619	9,722,642
Local Economic Development Expenses	436,923	4,816,477
Other expenses	4,048,124	3,417,808
50,128,597	50,128,597	47,609,855

35. REPAIRS AND MAINTENANCE

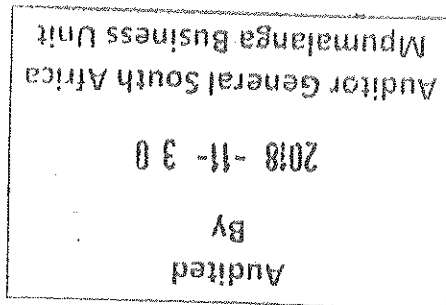
Included in Note 32 for Contracted services is the repairs and maintenance as per the disclosure below:

REPAIRS PER ASSET CLASS

Community Assets	3,773,874	1,978,151
Infrastructure Assets	23,561,998	15,970,737
Buildings	207,746	970,297
Other Assets	4,630,710	6,420,921
32,174,328	32,174,328	25,340,106

36. AUDITORS' REMUNERATION

External Auditors fees	5,320,715	5,725,788
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

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2018	2017
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37. CASH GENERATED FROM OPERATIONS

Surplus	499,436,717	730,231,769
ADJUSTMENTS FOR:		
Depreciation and amortisation	95,974,687	83,131,938
(Loss) gain on sale of assets and liabilities	(167,390)	9,627,119
Impairment deficit	7,944,908	-
Debt impairment	161,014,044	69,547,148
Movements in provisions	8,846,101	5,307,944
Disposal of assets	12,964	-
Actuarial gains	-	2,521,346
ACTUARIAL GAINS (LOSS)	314,575	1,667,303
Inventories	(130,464,525)	(164,418,383)
Receivables from Exchange Transactions	(109,281,016)	(135,307,372)
Payables from exchange transactions	(114,704,390)	58,539,761
VAT	44,812,106	(30,838,864)
Unspent conditional grants and receipts	(7,249,734)	(53,875,992)
Consumer deposits	13,706	17,511
	456,502,753	576,151,228

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AUTHORISED CAPITAL EXPENDITURE

ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR

- Property, plant and equipment

258,718,481	220,199,432
-------------	-------------

TOTAL CAPITAL COMMITMENTS

Approved and Contracted for

258,718,481	220,199,432
-------------	-------------

AUTHORISED OPERATIONAL EXPENDITURE

This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds, existing cash resources and funds internally generated. The commitments disclosed is inclusive of VAT.

OPERATING LEASES - AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE

- within one year
- in second to fifth year inclusive

3,197,661	3,197,661
-	8,005,883

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable. Operating lease payments represent rentals payable by the Municipality for certain office equipments and mobile offices. Operational lease entered with **Nashua** is negotiated for an average term of three years and rental is fixed as per the agreed appointment letter for an average of three years. No contingent rent is payable. Nashua Lowveld supplied forty photocopying machines to the Municipality for a period of 36 Months at 0% escalation. The contract for Nashua will come to an end on the 28 of February 2019.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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39. CONTINGENCIES

Contingencies arising from pending litigation on contractual disputes and damage claims:

Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:

CONTINGENT LIABILITIES

1. Gloria Bassie - The case is in relation to demolition of illegal structures	310,000	-
2. Telkom SA - Alleged damages to property by the municipality	130,323	-
3. Izingwenya 210 Investment CC and Juslo Security Services - Claim for payment of services	3,101,915	-
4. NAD Property Income Fund - Claim for services rendered	23,525,000	-
5. Bannie Job Ngobeni - A claim for damages suffered as a result of demolitions	-	300,000
6. Nilot/EX Services Construction - Claim against the municipality for serving the Thulamahashe site	1,138,700	1,138,700
7. MGN Security - The case is for illegally providing security services around 2007 for which the claims were never submitted to the municipality until	149,454	149,454
8. Turquoise Moor Trading - Claim for damages as a result of termination of contract	-	90,922
9. Makaula Zilwa Inc/MNB Chartered Accountants - An alleged claim for services rendered	4,517,135	4,517,135
10. Malo Construction - Claim for alleged non-payment of bulk water supply project	10,180,646	10,180,646
11. Ngwenya Swenkie - A claim for damages as a result of spillage	-	90,000
12. Ayeno Gabriel - A claim as a result of assault and arrest by traffic officers	-	600,000
13.0 Tsebu Brothers Holding - A claim as a result of cancellation of agreement for electrification at Maluvana phase 2	4,050,157	4,050,157
14. Malikwa Fanie Mayinga - A claim for damages as a result of Thulamahashe dumping site	-	400,000
15. Coshwhe Melina on behalf of minors and others - Claim for damages	600,000	600,000
16. Hwalli Business Enterprise - Claim for services rendered	4,364,330	4,364,330
17. Robert Theba - Damages	200,000	200,000
18. Defending municipality against a claim for R118 950 000	-	17,964,227
19. Employee benefits relating to notch upgrade for employees (see Accounting Officer's report on subsequent events on page (7))	-	-
	51,957,660	44,955,571

40. RELATED PARTIES

Key Management Personnel and Councillors in nature are related parties in this regard was provided. Related party transactions mainly of goods and services to the municipality. The businesses are owned by close family members of staff, as detailed: Matlanyapele - Ms Moripe an SCM officer with the municipality. She is a sister to the Director. Richbless - Mr. Mkhabela a Salaries Accountant for the municipality, he is a cousin to the Director.

RELATED PARTY BALANCES

AMOUNTS INCLUDED IN TRADE PAYABLES REGARDING RELATED PARTIES

Richbless Trading Pty(Ltd)	13,920
Matlanyapele Investment Properties	1,562,598
	17,060,022

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41. RISK MANAGEMENT

LIQUIDITY RISK

The municipality's risk to liquidity as a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
FNB Bank	104,375,995	89,950,107
Standard Bank	5,270,740	8,429,216
Receivable from exchange transactions	295,701,816	300,779,807
Receivable from non exchange transactions	514,933,398	431,067,762
Accounts Payable	(436,581,290)	(551,285,681)

MARKET RISK

MARKET RISK

Market risk is the risk that changes in market prices such as interest rates affect the municipality income or the value of financial instruments holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

INTEREST RATE RISK

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

42. UNAUTHORISED EXPENDITURE

Opening balance
Current year
Written off

467,183,789	391,924,798
55,320,810	45,172,819
-	(120,431,810)
467,183,789	391,924,798

The Internal Audit unit investigated the unauthorised expenditure for the 2016/17 financial year. The current year unauthorised expenditure is under investigation by Internal Audit unit.

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43. FRUITLESS AND WASTEFUL EXPENDITURE

	2018	2017
Opening balance	27,607,872	390,372
Auditor General	2,983	13,283
Eskom	46,096	271,342
Fruitless and wasteful expenditure for prior year identified in current year	90,868	-
SARS penalties and interest	324,644	39,414
Nashua	-	12,094
Telkom	6,498	16,486
Rand Water	14,497,817	26,864,886
Avis Car Rental	2,260	-
Municipal truck repairs	7,718	-
	<u>42,586,761</u>	<u>27,607,877</u>

Fruitless and wasteful expenditure for the current year is largely composed of Rand water, Auditor General, Eskom and Interest on bank overdraft. The expenditure is being investigated by Internal Audit Unit.

44. IRREGULAR EXPENDITURE

Opening balance	1,836,770,279	1,346,765,669
Less: Amounts written off	(1,116,719,323)	-
Current year irregular expenditure	45,526,478	51,415,758
Irregular expenditure for prior year identified in current year	90,320,704	-
2016/17 irregular expenditure identified during the audit	7,170,991	-
Additional irregular identified by the auditor general	73,755,190	-
Recovered from Councillors	(683,597)	-
	<u>936,140,722</u>	<u>1,836,770,279</u>

The municipality was in the process of conducting investigations for the 2017/18 irregular expenditure and the process could not be concluded as it was impracticable to carryout the process before finalisation of the audit.

45. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

SALGA

Opening balance	688,847	688,847
Current year subscription / fee	3,513,340	3,335,580
Amount paid - current year	(3,514,171)	(3,335,580)
	<u>688,016</u>	<u>688,847</u>

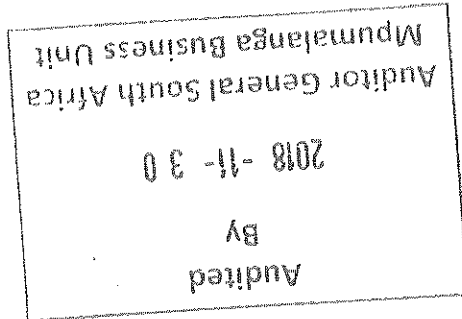
DISTRIBUTION LOSS

Billed
Add: Free basic water
Bulk purchases

26,724,679	33,511,209
107,204,356	75,119,385
(196,493,342)	(212,877,636)
<u>(62,564,307)</u>	<u>(104,247,042)</u>

AUDIT FEES

5,320,715	5,725,708
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BUSHBUCKRIDGE LOCAL MUNICIPALITY

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PAYE, SDL AND UIF

Opening balance
Current year subscription / fee
Amount paid - current year

3,927	-
62,531,239	(62,535,166)
54,220,360	(54,216,433)
-	3,927

PENSION AND MEDICAL AID DEDUCTIONS

Opening balance
Current year subscription / fee
Amount paid - current year

5,081,448	198,464
98,599,666	(103,482,650)
92,752,354	(87,670,906)
-	5,081,448

VAT

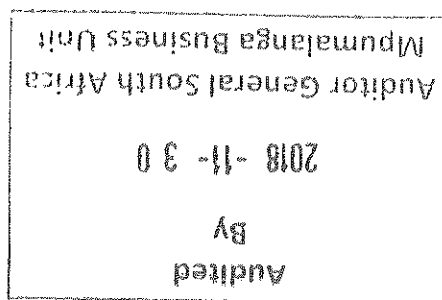
VAT receivable

73,346,266	118,158,372
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VAT output payables and VAT input receivables are shown in note 8.
In some months the municipality submitted the VAT returns late.

COUNCILLORS' ARREAR CONSUMER ACCOUNTS

The following Councilors had arrear accounts outstanding as at 30 June 2018:



Outstanding less than 90 days	Outstanding less than 90 days	Outstanding less than 90 days
1,398	30,811	2,547
2,246	16,946	26,724
3,644	47,757	29,271
32,209	19,192	57,338
51,401	72,623	15,285
Total R	Total R	Total R

SUPPLY CHAIN DEVIATIONS

INCIDENT
Emergencies
Specialised Services

3,821,352	4,287,500
466,148	2,917,623
2,826,329	91,294

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

46. RECLASSIFICATION

DISCLOSURE NOTES

2017

	Note	Audited	Added to Component	Moved to other components	2017 Restated balances
General Expenses		74,794,094	9,459,953	(36,644,192)	47,609,855
Repairs and Maintenance		25,340,106	-	(25,340,106)	-
Contracted Services		56,729,639	61,984,298	(9,459,953)	109,253,984
		<u>156,863,839</u>	<u>71,444,251</u>	<u>(71,444,251)</u>	<u>156,863,839</u>

RECLASSIFICATIONS

The following reclassifications adjustment occurred:

RECLASSIFICATION

General expenses and repairs and maintenance reclassified to contracted services

The reclassification in the annual financial statements provides a reliable and more relevant information about the effects of the transactions on the municipality. The reclassification was done retrospectively to allow and enable faithful representation of the status quo of each transaction or class of transactions. The expenditure is classified based on the nature of the expense to provide reliable and relevant information.

47. PRIOR PERIOD ERRORS

1. Land values for the 2016-17 were restated. The restatement was to effect the changes as per the deeds information.

3. Receivable from exchange and non exchange transactions emanated from corrections of incorrect billing done to certain customers.

4. Payables from exchange transaction adjustment were due, invoicing of suppliers, write off of supplier debit balances.

5. Other property plant and equipment relates to accumulated depreciation for furniture and fittings.

6. Operating Income: Donations reclassified to public contributions and donations
All donations are non-exchange transactions hence the reclassification to public contributions from other income under revenue from exchange transactions. This will give the user a more reliable and relevant information.

STATEMENT OF FINANCIAL POSITION

Property plant and equipment- land
Receivables from exchange transactions
Receivables from non exchange transactions
Trade payables-Sundry creditors
Other property, plant and equipment
Decrease in accumulated surplus

STATEMENT OF FINANCIAL PERFORMANCE

Public contributions and donations
Operating Income

Decrease in surplus

Audited
By
2018 - 11- 30
Auditor General South Africa
Mpumalanga Business Unit

(53,050,500)
(591,320)
(55,172)
(12,193,586)
519
65,890,059

11,120,498
(11,120,498)

-
-
-

-
-
-
-
-
-